POINT OF VIEW

A Pivotal Shift in Credit Portfolio Management:

Automation Where it Makes Sense, Augmentation Everywhere Else.

A Changing Risk Landscape

Financial institutions (FIs) find themselves operating within a changing risk landscape caused by the bank failures of 2023, dynamic interest rates, declining asset quality, and economic uncertainty. As a result, credit portfolios are under greater stress with half of portfolio managers expecting default rates to increase over the next year.[1]

Commercial institutions feel these pressures along with increased risk exposure from their commercial real estate (CRE) portfolios. $2.2 trillion in U.S. CRE loans will also mature by 2028,[2] placing greater strain on commercial portfolios and more importance on a re-pricing strategy for CRE loans coming due in a higher interest rate environment. While not all CRE loans are at risk, the office space and multi-family home sectors face greater hardships and higher default rates.

As the lending landscape continues to evolve, regulators are also increasing their focus on risk differentiation, portfolio diversification and credit lifecycle management.[3] However, traditional credit portfolio management practices that utilize manual processes and historical data make it difficult for FIs to adapt and respond to the rising complexities in risk management and regulations.[4]

In an Accenture survey, 72% of senior banking risk professionals said their organization's risk management capabilities and processes have failed to keep pace with the rapidly changing risk landscape, and only 35% said they are fully able to assess the risks associated with interest rate increases.[5] With a significant portion of time spent on manual data collection and analysis, many FIs experience reactive and inefficient risk management, high reporting costs and incomplete views of their credit portfolios.

To successfully navigate today's lending environment and identify opportunities, FI leaders must evaluate and modernize their credit portfolio management practices.[4] It is imperative that FIs streamline processes, centralize data, and adopt a holistic approach to credit portfolio management to thrive in today's banking environment and in the future.

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Technology Innovations and Opportunities

Technology offers FIs a way to strengthen their credit lifecycle management across origination, monitoring and management of non-performing loans.[3]
By embracing technology, FIs can transform their credit portfolio management processes and ensure the strength and stability of their institution. Automation and data are at the forefront of this transformation, enabling proactive and flexible credit portfolio management across the credit lifecycle.

To be successful, commercial banks must increase data-fueled automation in their lending processes, which includes credit monitoring and risk management.[3] The efficiencies gained through automation allow FIs to adapt quickly to market and economic changes, optimize operations, streamline back-office reporting, and reduce overhead costs.[6]

According to McKinsey, FIs that automated their risk monitoring tasks, such as the early detection of credit deterioration, reduced their credit losses by 20 to 30%, while reducing monitoring costs by 30 to 40%.[7] With streamlined and enhanced risk management via automation and digitalization, FIs can gain a productivity improvement of 30% or more.[7]

20 - 30%
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30 - 40%
reduction in monitoring costs

>30%
productivity improvement

73%
of FI data goes unused for analytics

Automation is critical for increasing efficiencies, while data is essential to drive intelligent decision making. However, up to 73% of FI data goes unused for analytics.[8] By centralizing and operationalizing data, FIs can gain a holistic view of their credit portfolios, drive strategic decision-making, and create robust risk management frameworks.[7] Real-time data and analytics enable FIs to proactively manage their risk exposure, ensuring the actions are informed and strategic rather than reactive and help FIs identify potential opportunities for profitable growth.[7]

To achieve the automation and data-driven insights FIs seek for improved risk management, they must embrace technology and partner with a trusted solution vendor. A single platform approach with an ecosystem of data is critical for a robust data architecture and operationalizing data,[8] and fintech partnerships give FIs access to innovative industry solutions for operational efficiency and sophisticated data analytics.[7]

Transform Credit Portfolio Management with nCino

For over a decade, nCino has provided market leading solutions for both commercial and small business loan origination, along with robust credit risk management solutions to optimize business lending from origination to monitoring and management. Today, nCino sees a pivotal shift in credit portfolio management where automating processes is essential for efficiency, and augmenting the banker and client experience with intelligence and data drives a true competitive edge.

Through deep industry expertise, banking knowledge, and a global customer base, nCino understands banking and the solutions FIs need to overcome their challenges, particularly around credit portfolio management. nCino's customers use the commercial and small business loan origination systems for front- and back-office efficiencies, such as origination, underwriting, risk management, and reporting.

> "[nCino] really transformed manual origination, credit and closing activities for the origination or renewal of commercial loans to an automated process. We went from doing a lot of the nuts and bolts manually to doing it in an automated fashion."
>
> **Van Dukeman**
> Chairman, President & CEO,
> Busey Bank

Coupling nCino's commercial and small business loan origination systems with additional products and features, FIs can experience powerful credit portfolio management with nCino.

Here are a few examples:

Continuous Credit Monitoring

nCino's Continuous Credit Monitoring, powered by nIQ, efficiently transforms credit risk management through a single platform experience by utilizing intelligence, automation and centralized data to shift from reactive to proactive credit risk management for early warnings, reviews, renewals and credit insights.

CRE Analysis

nCino's CRE Analysis solution enables FIs to accurately forecast revenue based on changing economic and loan conditions, reduces risk with data driven insights that support more informed decision making and improves efficiency through a single, integrated platform for all CRE and loan activities.

Rapid Reviews

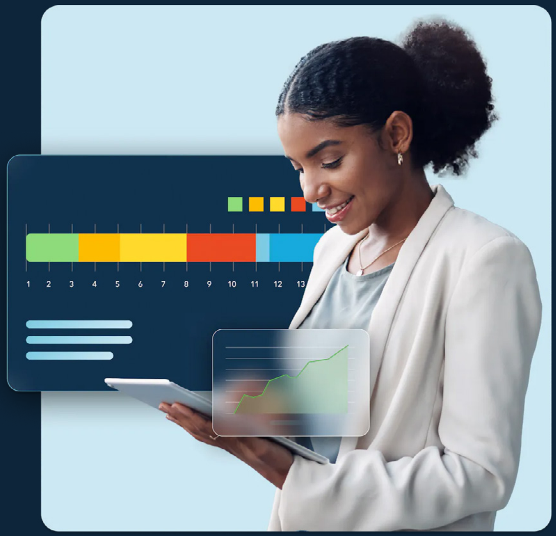
nCino's Rapid Reviews allows FIs to quickly assess relationships and their related products to identify which portfolio areas require more attention to expedite the review of healthier, lower risk portfolio areas for commercial and small business loans.

Commercial Pricing & Profitability

nCino's Commercial Pricing & Profitability, powered by nIQ, can help reprice loans based on new interest rates and the financial institution's goals and targets to optimize profitability for existing loans.

With nCino's Cloud Banking Platform, FIs can transform credit portfolio management with an intelligent, single platform experience that enables the proactive management of commercial and small business loans across the credit lifecycle. Utilizing a single platform, connect data and strategy for real-time execution and market adaptability.

Eliminate the shortcomings of manual workflows, such as redundancy and errors, and harness the power of your data to uncover actionable insights and growth opportunities.



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